

Message Text

SECRET

PAGE 01 LONDON 08663 01 OF 02 101922Z

42

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

ACDA-19 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00

DODE-00 EB-11 FEAE-00 FPC-01 H-03 INR-10 INT-08 L-03

NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 NEA-14 IO-14

DRC-01 /204 W

----- 074552

O R 101908Z JUL 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 1978

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

S E C R E T SECTION 01 OF 02 LONDON 08663

E.O. 11652: XGDS-1

TAGS: ENRG, UK

SUBJECT: SUMMARY OF WHITE PAPER ON CONTINENTAL SHELF
OIL AND GAS POLICY

REF: (A)LONDON 8461, (B) LONDON 8462

1. WE WERE INVITED TO CALL ON DEPUTY HEAD, ENERGY DEPARTMENT, FOREIGN AND COMMONWEALTH OFFICE (FENN), JULY 10, TO BE BRIEFED ON ANNOUNCEMENT SECRETARY OF STATE FOR ENERGY VARLEY IS SCHEDULED TO MAKE IN HOUSE OF COMMONS AFTERNOON OF JULY 11. FOLLOWING IS TEXT OF SUMMARY GIVEN US BY FENN.

2. BEGIN QUOTE

1. THE WHITE PAPER EXPLAINS THAT THE GOVERNMENT HAS TWO MAIN OBJECTIVES:

I. TO OBTAIN A FAIRER SHARE OF THE PROFITS

SECRET

SECRET

PAGE 02 LONDON 08663 01 OF 02 101922Z

FROM CONTINENTAL SHELF OIL AND GAS FOR THE NATION AS A

WHOLE, WITH SPECIAL CONSIDERATION FOR SCOTLAND AND THE OTHER DEVELOPMENT AREAS; AND

II. TO ASSERT GREATER PUBLIC CONTROL.

2. THE FOLLOWING ACTION WILL THEREFORE BE TAKEN:

I. AN ADDITIONAL TAX ON THE COMPANIES' PROFITS FROM THE CONTINENTAL SHELF AND THE CLOSING OF VARIOUS LOOPHOLES IN THE RULES ON EXISTING TAXATION ON THEIR PROFITS WILL BE PROPOSED.

II. IT WILL BE A CONDITION OF FUTURE LICENSES THAT THE LICENSEES SHALL, IF THE GOVERNMENT SO REQUIRES, GRANT MAJORITY PARTICIPATION TO THE STATE IN ALL FIELDS DISCOVERED UNDER THOSE LICENSES.

III. THE COMPANIES WILL BE INVITED TO ENTER INTO DISCUSSIONS WITH US ABOUT MAJORITY STATE PARTICIPATION IN EXISTING LICENSES FOR COMMERCIAL FIELDS.

IV. A BRITISH NATIONAL OIL CORPORATION WILL BE SET UP THROUGH WHICH THE GOVERNMENT WILL EXERCISE ITS PARTICIPATION RIGHTS.

V. THE GOVERNMENT'S POWERS TO CONTROL PHYSICAL PRODUCTION AND PIPELINES WILL BE EXTENDED.

VI. A SCOTTISH DEVELOPMENT AGENCY WILL BE SET UP AND THERE WILL BE PARALLEL ARRANGEMENTS FOR WALES. END QUOTE.

3. IN ANSWER TO QUESTIONS, FENN MADE FOLLOWING EXPLANATIONS.

(A) THERE IS PRESENTLY NO INTENTION THAT THE BRITISH NATIONAL OIL CORPORATION (BNOC) WILL BE A MONOPOLY BUYER OF NORTH SEA CRUDE.

(B) THERE IS A CLEAR DISTINCTION DRAWN BETWEEN PRESENT AND FUTURE LICENSEES (SEE PARAS 2 (II) (III) ABOVE.)

(C) THE WHITE PAPER CLEARLY SETS OUT THE PRESENT GOVERNMENT'S RESOLVE TO ESTABLISH GOVERNMENT PARTICIPATION IN THE EXPLOITATION OF NORTH SEA OIL AS THE MOST EFFECTIVE MEANS OF ENSURING THAT BRITAIN RECEIVES MAXIMUM BENEFIT FROM THIS RESOURCE. FENN EMPHASIZED
SECRET

SECRET

PAGE 03 LONDON 08663 01 OF 02 101922Z

THAT THE EXISTING LICENSEES WOULD BE INVITED TO NEGOTIATE THEIR RELATIONSHIP WITH THE GOVERNMENT ON THE BASIS OF AN HMG "CARRIED INTEREST" ALONG THE LINES OF THE NORWEGIAN MODEL. HOWEVER, FENN SAID THE WHITE PAPER LEAVES OPEN THE DETAILS OF HOW THE GOVERNMENT WILL ACQUIRE PARTICIPATION IN PRESENT AND FUTURE LICENSES. THESE DETAILS ARE LEFT TO INDIVIDUAL GOVERNMENT/COMPANY CONSULTATIONS. FENN NOTED THAT THE

SITUATION OF EACH LICENSEE WAS DIFFERENT AND WOULD
REQUIRE TREATMENT BY THE GOVERNMENT TAILOR MADE TO
FIT EACH SITUATION.

(D) FENN EMPHASIZED THAT THERE WAS NO REPEAT NO
QUESTION OF DISCRIMINATION AGAINST NON-BRITISH COMPANIES
AND THAT THE INTENT OF THE GOVERNMENT WAS TO TREAT
ALL COMPANIES OF WHATEVER NATIONALITY EQUALLY.

ANNENBERG

SECRET

NNN

SECRET

PAGE 01 LONDON 08663 02 OF 02 101921Z

44

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

ACDA-19 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 RSC-01

PRS-01 SP-03 AEC-11 AID-20 CEA-02 CIEP-02 COME-00

EB-11 FEAE-00 FPC-01 H-03 INT-08 L-03 NSC-07 OMB-01

PM-07 SAM-01 SCI-06 SS-20 STR-08 TRSE-00 NEA-14 IO-14

DRC-01 /204 W

----- 074568

O R 101908Z JUL 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 1979

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

S E C R E T SECTION 02 OF 02 LONDON 08663

(E) IN RESPONSE TO OUR QUESTION, FENN SAID THE BNOC
WOULD BE BASED IN SCOTLAND. IN ADDITION, A SCOTTISH
DEVELOPMENT AGENCY WILL BE ESTABLISHED IN THE NEAR
FUTURE TO BE FUNDED BY THE EXCHEQUER WITHOUT REFERENCE
TO INCOME FROM THE NORTH SEA. "AT A SUITABLE TIME" A

SIMILAR AGENCY WILL BE ESTABLISHED FOR WALES.

4. FENN SAID THE MAJORITY PARTICIPATION
NOTED IN PARAS 2 (I) (II) WILL NOT BE LIMITED
TO FINANCIAL MAJORITY PARTICIPATION BUT WILL INCLUDE
PARTICIPATION IN MANAGEMENT DECISIONS OF THE LICENSEES.

5. WITH REGARD TO THE ADDITIONAL TAX ON COMPANIES'
PROFITS, FENN SAID THE PRINCIPAL POINT IN THE WHITE
PAPER WOULD BE THE ESTABLISHMENT OF A "FENCE" AROUND
SECRET

SECRET

PAGE 02 LONDON 08663 02 OF 02 101921Z

THE BRITISH SECTOR OF THE NORTH SEA, THEREBY MAKING
LICENSEES FULLY LIABLE TO BRITISH TAX.

6. IN ANSWER TO OUR QUESTIONS, FENN SAID BRITISH
EMBASSY WASHINGTON HAS INSTRUCTIONS TO BRIEF THE
DEPARTMENT AND THE MAJOR AMERICAN COMPANIES WITH
OPERATIONS IN THE NORTH SEA JULY 11. ALSO, ON JULY 11,
BRITISH EMBASSIES WILL BRIEF GOVERNMENTS IN FRANCE,
GERMANY, HOLLAND, NORWAY, JAPAN AND IRAN, AND THE
EUROPEAN COMMISSION.

7. THE LANGUAGE REFERRING TO CLOSING OF VARIOUS
LOOPHOLES IN THE RULES OF EXISTING TAXATION OF COMPANY
PROFITS REFERS, AMONG OTHER THINGS, TO ANOMALOUS
SITUATIONSWHEREBY BP AND SHELL WOULD BE ALLOWED TO
OFFSET ARTIFICIALLY INCURRED LOSSES ON OVERSEAS
OPERATIONS AGAINST NORTH SEA OPERATIONS.

ANNENBERG.

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, POLICIES, PETROLEUM, CONTINENTAL SHELF, STATE ENTERPRISES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON08663
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D740183-1034
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740762/aaaacasj.tel
Line Count: 204
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: (A)LONDON 8461, (B) LONDON 8462
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20-Jul-2001 by kellerpr>; APPROVED <20 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUMMARY OF WHITE PAPER ON CONTINENTAL SHELF OIL AND GAS POLICY
TAGS: ENRG, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005